

Hansson private label (hpl)

[Business](#), [Industries](#)



Abstract

Hansson Private Label (HPL) is a manufacturer of personal care products. The company was purchased by Mr Hanson in 1992. The investment represented significant risk for Hanson because a significant portion of his wealth was tied up in a single investment. Over the past sixteen years Hanson has grown the company at a conservative but persistent fashion. He is now faced with an investment opportunity that promises swift growth but also accompanies significant amount of risk. The sales of the private labels are dependent on few larger customers and customer retention is very important to a company like HPL.

Recently HPL's largest customer has approached the company for a large order. The company will need to invest in expanding its facilities in order to meet the order requirements. This is an excellent opportunity for HPL but the downside is that the customer would only commit to a three year contract and the company can bear significant losses if the customer refuses to buy the product after the contract expires. Therefore Hansson needs to accurately calculate the cash flows related to the investment and account for the risk inherent in the investment before he can make decision on the expansion project.